



Telecom Decision CRTC 2006-70

Ottawa, 2 November 2006

Final 2006 revenue-percent charge and related matters

Reference: 8695-C12-200603391 and 8695-C12-200603440

*In this Decision, the Commission **approves on a final basis**, effective 1 January 2006, a 2006 contribution collection revenue-percent charge of 1.03 percent and the 2006 subsidy per residential network access service (NAS) for the territories of the large incumbent local exchange carriers (ILECs), Société en commandite Télébec (Télébec), and the former TELUS Communications (Québec) Inc. (TCC Québec).¹*

*The Commission **approves on an interim basis**, effective 1 January 2007, a 2007 contribution collection revenue-percent charge of 1.03 percent, the subsidy per residential NAS for the territories of the large ILECs, Télébec, and TCC Québec, and continued supplemental funding for Northwestel Inc.*

The Commission directs the large ILECs and the competitive local exchange carriers operating in the former territory of Bell Canada in Ontario and Quebec to report their NAS to the Central Fund Administrator separately for the new territories of Bell Canada and Bell Aliant Regional Communications, Limited Partnership,² in Ontario and Quebec, effective January 2007.

Background

1. In *Changes to the contribution regime*, Decision CRTC 2000-745, 30 November 2000 (Decision 2000-745), the Commission introduced a national revenue-based contribution collection mechanism (the contribution regime) and a new methodology for the calculation of the subsidy requirements. This calculation is based upon residential network access service (NAS) in high-cost serving areas (HCSAs) in the territories of the large incumbent local exchange carriers (ILECs), Société en commandite Télébec (Télébec), and the former TELUS Communications (Québec) Inc. (TCC Québec).³ The carriers referred to as large ILECs are Bell Aliant Regional Communications, Limited Partnership (Bell Aliant),⁴ Bell Canada, MTS Allstream Inc. (MTS Allstream), Saskatchewan Telecommunications (SaskTel), and TELUS Communications Company (TCC), excluding TCC Québec.

¹ Effective 1 July 2004, TELUS Communications Inc. (TCI) assumed all rights, entitlements, liabilities, and obligations relating to the provision of telecommunications services in the territories previously serviced by TELUS Communications (Québec) Inc. Effective 1 March 2006, TCI assigned and transferred all of its network assets and substantially all of its other assets and liabilities, including substantially all of its service contracts, to TELUS Communications Company.

² On 7 July 2006, Bell Canada's regional wireline telecommunications operations in Ontario and Quebec were combined with, among other things, the wireline telecommunications operations of Aliant Telecom Inc., Société en commandite Télébec, and NorthernTel, Limited Partnership to form Bell Aliant Regional Communications, Limited Partnership.

³ See footnote 1.

⁴ See footnote 2.

2. Under the contribution regime, telecommunication service providers (TSPs) with annual Canadian telecommunications service revenues equal to or greater than \$10 million are required to contribute towards the subsidization of residential local service in HCSAs. This contribution is collected through a revenue-based mechanism where a revenue-percent charge is applied against a TSP's contribution-eligible revenues. Contribution-eligible revenues are calculated based upon a TSP's Canadian telecommunications service revenues less certain specific deductions including retail Internet and retail paging revenues. The revenue-percent charge is calculated using the ratio of the national subsidy requirement to the total estimated contribution-eligible revenues of all TSPs who are required to contribute.
3. The national subsidy requirement is comprised of Canadian Portable Contribution Consortium Inc. (CPCC) and Central Fund Administrator (CFA) administrative and operational costs, supplemental funding for Northwestel Inc. (Northwestel), subsidies for the small incumbent local exchange carriers (SILECs), and estimated HCSA subsidy requirements for the territories of the large ILECs, Télébec, and TCC Québec.
4. In *Restructured bands, revised loop rates and related issues*, Decision CRTC 2001-238, 27 April 2001, as amended by Decision CRTC 2001-238-1 dated 28 May 2001 and Decision CRTC 2001-238-2 dated 7 August 2001, the Commission established the costing rules to be used for the determination of the subsidy per residential NAS for the territories of the large ILECs. This included the adoption of a uniform approach to identifying HCSAs and a consistent set of costing methodologies by which the large ILECs were to determine their base average primary exchange service (PES) costs. The base average PES costs excluded annual adjustments for inflation and a productivity offset, and the cost recovery of the revenue-percent charge established in Decision 2000-745.
5. In *Final 2005 revenue-percent charge and related matters*, Telecom Decision CRTC 2005-68, 10 November 2005, the Commission set, on an interim basis for 2006, a revenue-percent charge of 1.03 percent, and the subsidy per residential NAS for each HCSA band in the territories of the large ILECs, Télébec, and TCC Québec.
6. The Commission has received the information necessary to determine the estimated national subsidy requirement for 2006, the final revenue-percent charge for 2006, and the interim revenue-percent charge for 2007.

2006 National subsidy requirement

CPCC/CFA administrative and operational costs

7. On 12 April 2006, the CPCC advised the Commission that the CPCC and CFA administrative and operational costs would be approximately \$0.865 million for 2006.
8. The Commission notes that the 2006 CPCC/CFA administrative and operational costs are slightly less than they were in 2005.

Supplemental funding for Northwestel

9. In Decision 2000-745, the Commission determined that any supplemental funding for Northwestel would be added, as a separate amount, to the national subsidy requirement.
10. In *Review of regulatory framework for Northwestel Inc.*, Telecom Public Notice CRTC 2006-1, 17 January 2006 (Public Notice 2006-1), the Commission initiated a proceeding to consider, among other things, whether any changes were required to the methodology used to determine the level of funding required for Northwestel from the National Contribution Fund (NCF). The regulatory framework established for Northwestel in that proceeding will be effective in 2007.
11. In *Northwestel Inc.– Supplemental funding requirement for 2006*, Telecom Decision CRTC 2006-10, 24 February 2006, the Commission approved final 2006 supplemental funding of \$9.8 million for Northwestel.
12. The Commission considers that \$9.8 million continues to be an appropriate amount for the interim supplemental funding for Northwestel until a final determination has been made with respect to Public Notice 2006-1.
13. In light of the above, the Commission **approves on an interim basis** the continued use of \$9.8 million as the annual supplemental funding for Northwestel for 2007 until a final determination has been made with respect to Public Notice 2006-1, and directs the CFA to remit, on an interim basis, effective 1 January 2007, monthly subsidy payments to Northwestel equivalent to one-twelfth of the annual supplemental funding.

Subsidies for the SILECs

14. In *Revised regulatory framework for the small incumbent local exchange carriers*, Telecom Decision CRTC 2006-14, 29 March 2006, the Commission determined that the SILECs would receive fixed subsidy amounts for each of the years 2006 through 2009, totalling \$23.046 million. The Commission also directed the CFA to make the related monthly subsidy payments, on a final basis, for each of the years 2006 through 2009.

Subsidy requirements for the territories of the large ILECs, Télébec, and TCC Québec

15. In *Regulatory framework for second price cap period*, Telecom Decision CRTC 2002-34, 30 May 2002, as amended by Telecom Decision CRTC 2002-34-1 dated 15 July 2002 (Decision 2002-34), the Commission directed the large ILECs to adjust the PES cost component of their subsidy per residential NAS calculations to account for inflation, a productivity offset of 3.5 percent, any estimated service improvement plan (SIP) costs, and the cost recovery of the revenue-percent charge. The Commission also directed the large ILECs to file revised subsidy per residential NAS calculations by 31 March of each year.
16. In *Implementation of price regulation for Télébec and TELUS Québec*, Telecom Decision CRTC 2002-43, 31 July 2002 (Decision 2002-43), the Commission established a new regulatory framework for Télébec and TCC Québec that included subsidy per residential NAS calculations similar to those established for the large ILECs.

17. By letters dated 28 March, 31 March, and 4 April 2006, respectively, (a) SaskTel, (b) Bell Aliant, Bell Canada, MTS Allstream, and Télébec, and (c) TCC (including TCC Québec) filed their HCSA band subsidy calculations.
18. In *TELUS Communications Company – Application to decrease the capital cost of its service improvement plan and related matters*, Telecom Decision CRTC 2006-63, 28 September 2006 (Decision 2006-63), the Commission approved revised 2006 per-NAS SIP funding adjustments for TCC of: 0.00 in Alberta Band E; (0.01) in Alberta Band F; 0.08 in Alberta Band G; 0.05 in British Columbia Band E; (0.04) in British Columbia Band F; and 0.28 in British Columbia Band G. The Commission has adjusted TCC's subsidy calculations to include the approved SIP adjustments.
19. The Commission has reviewed the subsidy calculations for the large ILECs, Télébec, and TCC Québec, and, with the inclusion of the approved TCC SIP adjustments, finds them to be in accordance with the directives set out in Decisions 2002-34 and 2002-43.
20. In light of the above, the Commission finds that, based upon the 2005 year-end NAS per HCSA band, the 2006 total subsidy requirement for the large ILECs, Télébec, and TCC Québec is approximately \$207.3 million.

National subsidy requirement

21. Based on the above, the Commission finds that the estimated 2006 national subsidy requirement is \$241.0 million, and is comprised of the following:

	\$ million
CPCC/CFA administrative and operational costs	0.9
Northwestel	9.8
SILECs	23.0
Large ILECs, Télébec, and TCC Québec territories	207.3
Total	241.0

Final 2005 and interim 2006 revenue-percent charge

22. The Commission notes that the following NCF adjustments occurred during 2006:
 - i) In *MTS Allstream – Application to review and vary part of Telecom Decision CRTC 2005-52*, Telecom Decision CRTC 2006-20, 24 April 2006, the Commission approved an MTS Allstream review and vary application that resulted in MTS Allstream receiving a one-time subsidy payment of \$9.893 million from the NCF.
 - ii) In *Northwestel Inc. – Disposition of 2005 revenue deferral account balance*, Telecom Decision CRTC 2006-32, 24 May 2006, the Commission approved Northwestel's proposal to remit the \$1.384 million balance in its 2005 deferral account to the NCF.
 - iii) In Decision 2006-63, the Commission directed TCC to repay the NCF \$731,430 in excess SIP funding that it had received.

23. The Commission notes that after the above adjustments are taken into account, the estimated total amount to be collected during 2006 becomes \$248.8 million.
24. The Commission notes that, based upon the 2005 contribution-eligible revenues and the growth in contribution-eligible revenues during the first half of 2006, the estimated contribution-eligible revenues for 2006 will be approximately \$24.4 billion.
25. Based on the Commission's consideration of the information provided, the Commission finds that a final 2006 revenue-percent charge of 1.03 percent would be appropriate. The Commission also finds that an interim 2007 revenue-percent charge of 1.03 percent, effective 1 January 2007, would also be appropriate.
26. Therefore, the Commission **approves** a final 2006 revenue-percent charge of 1.03 percent, effective 1 January 2006, and an interim 2007 revenue-percent charge of 1.03 percent, effective 1 January 2007.
27. Based on a final revenue-percent charge of 1.03 percent, the final 2006 subsidy per residential NAS for each HCSA band in the territories of the large ILECs, Télébec, and TCC Québec are set out in the tables below.

Table A

Territory	Final 2006 monthly subsidy per residential NAS by HCSA Band		
	Band E (\$)	Band F (\$)	Band G (\$)
Bell Aliant			
– New Brunswick	5.88	0.00	n/a
– Newfoundland	6.46	7.48	12.31
– Nova Scotia	1.25	0.08	n/a
– Prince Edward Island	5.24	6.60	n/a
Bell Canada	5.24	2.97	23.44
MTS Allstream	21.44	15.70	66.60
SaskTel	22.60	15.32	33.21
TCC			
– Alberta	6.09	2.07	6.86
– British Columbia	26.30	13.76	23.24

28. The Commission **approves on a final basis**, effective 1 January 2006, and **on an interim basis**, effective 1 January 2007, the monthly subsidy per residential NAS for each HCSA band for the territories of the large ILECs as shown in Table A above.
29. The Commission directs the CFA to adjust the distribution of monthly subsidy per residential NAS, to reflect the final subsidy per residential NAS, effective 1 January 2006. The Commission also directs the CFA to distribute the monthly subsidy per residential NAS, on an interim basis, effective 1 January 2007.

Table B

Territory	Final 2006 monthly subsidy per residential NAS by HCSA Band		
	Band E (\$)	Band F (\$)	Band G (\$)
Télébec			
- 1 January to 31 July	18.14	6.41	16.78
- 1 August to 31 December	17.90	6.23	16.57
TCC Québec			
- 1 January to 31 July	15.45	3.78	48.87
- 1 August to 31 December	15.26	3.63	48.53

30. The Commission **approves on a final basis**, effective 1 January and 1 August 2006, respectively, the monthly subsidy per residential NAS for each HCSA band for Télébec and TCC Québec as shown in Table B above for the periods 1 January to 31 July and 1 August to 31 December. The Commission also **approves on an interim basis**, effective 1 January 2007, the monthly subsidy per residential NAS for each HCSA band for Télébec and TCC Québec as shown in Table B above for 1 August to 31 December.
31. The Commission directs the CFA to adjust the distribution of monthly subsidy per residential NAS, to reflect the final subsidy per residential NAS, effective 1 January 2006. The Commission also directs the CFA to distribute the monthly subsidy per residential NAS, on an interim basis, effective 1 January 2007.
32. The Commission notes that, with the establishment of Bell Aliant in July 2006, residential high-cost NAS were transferred from Bell Canada's territory in Ontario and Quebec to Bell Aliant and that it is possible that, starting in 2007, the Bell Canada and Bell Aliant subsidy per residential NAS in HCSAs in Ontario and Quebec could be different.
33. Therefore, the Commission directs the ILECs and competitive local exchange carriers operating in the former Bell Canada territory in Ontario and Quebec to report their high-cost NAS separately to the CFA for the new territories of Bell Aliant and Bell Canada in Ontario and Quebec, effective January 2007.
34. The Commission **approves on an interim basis**, effective 1 January 2007, the subsidy per residential NAS for Bell Canada, as set out in Table A above, as the subsidy per residential NAS for Bell Aliant in Ontario and Quebec, and directs the CFA to distribute subsidy, on a monthly basis, based upon the approved subsidy per residential NAS amounts times the number of residential NAS reported.

Secretary General

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